



State of Alaska Department of Labor and Workforce Development	
Division: Employment and Training Services	Policy: 07-527
Subject: Due Diligence	Pages: 3
Reference: Federal Regulation 2 CFR 200.205	Effective: 2/4/2016
<div style="display: flex; justify-content: space-between; align-items: flex-end;"> <div style="text-align: center;"> Approved:  Mike Andrews, Director </div> <div style="text-align: center;">  Date </div> </div>	

1. Parties Affected

This policy applies to grant recipients that receive public funds through the Division of Employment and Training Services (DETS) and DETS staff.

2. Purpose

This policy provides guidance on conducting due diligence reviews to evaluate the risk posed by applicant or grant applicants for consideration of a possible grant award. The following items may be considered:

- a) Financial stability;
- b) Quality of management systems and ability to meet the management standards prescribed:
 - i) history of performance
 - ii) reports and findings from audits; and
 - iii) applicant's ability to effectively implement policy, statutory, regulatory, or other requirements imposed

3. Policy

DETS will conduct a due diligence review of each grant applicant in accordance with the requirements of this policy.

- a) A due diligence review is conducted for all grants over \$25,000.
- b) A due diligence review is not conducted on grants that are provided to other state or municipal agencies, with the exception of any grant applicants with a past negative performance evaluation.

- c) A due diligence review must be completed prior to the award of a grant by the Department.
- d) A complete due diligence review will be performed for all grant applicants that have not had a due diligence review completed within the three fiscal years prior to the fiscal year in which the proposed grant will be executed. Contact DETS for a procedural guidance on documents that are required for a due diligence review.
- e) Grant applicants that have had a complete due diligence review conducted within three fiscal years prior to the fiscal year in which the grant will be executed will be required to update documents that have or will expire during the award period.
- f) In the event that a grant recipient receives more than one award during a fiscal year DETS will conduct only one due diligence review.
- g) If the due diligence documents requested by DETS are not received in a timely manner or if the due diligence review results in non-compliance of DETS policies or state and federal policies or regulations, DETS reserves the right to impose sanctions until compliance is resolved.

4. Responsibilities

- a) Grant applicants are responsible for:
 - i) Providing, no later than 30 days of the notice of award, all materials or documents necessary to complete its due diligence review or update.
 - ii) Undertaking any actions required to resolve due diligence issues or concerns within the time period specified once notified of a due diligence issue or concern.
- b) DETS personnel are responsible for notifying the prospective grant recipient of any issues or concerns identified through the completion of the due diligence procedures and ensuring the matters are resolved prior to award of a grant by DETS.

5. Definitions

- a) **Applicant** is an entity that has submitted an application for consideration of a grant.
- b) **Audit Report** is a document issued by a Certified Public Accountant in which the accountant expresses an opinion regarding the fair presentation of the financial statements of an organization after conducting a formal financial review.
- c) **Certificate of Insurance** is a document issued by an insurance company that identifies the level of insurance coverage held by a specific organization.
- d) **Department** means the Alaska Department of Labor and Workforce Development.
- e) **Due Diligence** is the process used by DETS staff to verify that grant applicants are capable of administering public funds in an accountable and responsible manner and are qualified and capable of delivering the desired mission outcomes.

- f) **Financial Statements** are the reports issued by an organization that provide information on its financial operations and status, including a statement on assets and liabilities, a statement on revenues and expenses, and any accompanying notes.
- g) **Grant or Grant Agreement** is all of the documents included in the contractual agreement between DETS and a grant recipient and includes Reimbursable Services Agreements (RSAs) with other state agencies where funds are provided for services to the public.
- h) **Grant Recipient** is the organization or entity receiving funds as specified in a grant agreement or RSA.
- i) **Period of Performance** is the period between the beginning and ending dates identified in the grant agreement.
- j) **Grant Applicant** an organization that is applying for a grant with DETS.
- k) **Prospective Grant Recipient** is a grant applicant that has provided all due diligence documentation and with whom DETS is conducting grant negotiations based on the due diligence review and other considerations.